

# GROWERTALKS

## GT in Brief

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## Zelenka Farms in Chapter 11 Bankruptcy

*Chris Beytes*

BFN Operations, doing business in six states as Zelenka Farms, has filed for Chapter 11 bankruptcy protection in the northern district of Texas. The Irving, Texas-based nursery used to be known as the Berry Family of Nurseries before being acquired by Dallas-based private equity fund Insight Equity in 2010.

Zelenka has locations in Texas, Oklahoma, Tennessee, Michigan, Oregon and North Carolina. They'd previously closed operations in Tennessee, Oregon and Florida as part of a right-sizing.

What's the reason for the Chapter 11? A rainy spring, they claim, according to a report by Dow Jones Business News. That report states, "During a court hearing on Monday, Zelenka Farms bankruptcy lawyer Holland O'Neil said the company's financial troubles began in 2014, but worsened dramatically after an unexpectedly rainy April and May, leaving it without enough money to pay down part of a loan before a June 3 deadline. 'Those are the prime selling times for the company, and that severely impacted the sales and revenue,' Ms. O'Neil told U.S. Bankruptcy Judge Harlin Hale."

A bit of research indicated that Eric Ek had been appointed CRO—Chief Restructuring Officer. Erik, Managing Director of DCG Group of Los Angeles (on Flower Street, ironically), is a specialist at restructuring struggling businesses. I emailed Erik for comment about the nursery's future. He replied thusly:

"We do intend to restructure and sell our assets through the bankruptcy process. We expect to emerge a stronger and healthier company. We have hired Imperial Capital to lead the process in finding a buyer for all or substantially all of the business as a going concern and we have strong interest thus far."

In other words, they're selling. But all of the business? Or just part? That's unclear.

A press release about the filing states, "Zelenka Farms intends to emerge from bankruptcy as quickly as possible with enough liquidity to maintain its desired operations." That could mean downsizing.

But the Dow Jones story reports, "Lawyers who put Zelenka Farms into Chapter 11 protection on Friday told a judge they are looking for buyers to take over the Irving, Texas-based company's six farms ...."

Regardless, there's good reason for filing Chapter 11: Zelenka and "several related companies" (not sure

what that means, but it's in the news report) has debt of more than \$180 million. Their annual sales are \$130 million, according to a press release they issued about the filing.

The big hit comes to the unsecured creditors, the top 20 of whom are owed more than \$11 million. It's my policy to not name names in these situations, but you'd recognize the top two from our industry; they're owed \$1.4 and \$1.3 million, respectively.

The Dow Jones Business News story says, "Zelenka Farms officials are negotiating with several potential buyers who could purchase the company's operations by an August 8 deadline."

In the meantime, they've asked the bankruptcy court for permission to borrow \$35 million in debtor-in-possession financing, which they would use to pay operating expenses and wages during the bankruptcy.

Zelenka Farms' key customers include Lowe's, Kmart, ShopKo, Rural King, Home Depot and Meijer. **GT**